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Cc: [JPavek@RUS.usda.gov](mailto:JPavek@RUS.usda.gov)  
Subject: Electric System Emergency Restoration Plan  
Sent: Sat 3/27/2004 3:30 PM

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Dear Sirs,

I have reviewed the draft RUS rule changes involving the proposed Electric System Emergency Restoration Plan requirements. Its effect upon future loan applications was clearly spelled out and readily apparent to the reader. I did not detect any mention of whether or how this might be applied to the existing RUS borrowers. In speaking with Mr. John Pavek at the annual 2004 TechAdvantage Conference in New Orleans this past February, he seemed to indicate that it would be applied to the existing borrowers as well, even though he was unsure what the "phase in" period might be.

So my question is simply will it be applied to the existing borrowers? And if so, how will this manifest itself? Will there be a phase-in period? If so, approximately how long will this period be and will it be broken into different timeframes for different phases? For example, there could be a "window of time" to complete the assessment phase, followed by a second "window of time" to complete the planning phase, followed by a third "window of time" to complete the implementation phase, followed by a final "window of time" to complete the plan testing phase.

Please let me be perfectly clear that I am in total support the intent of this initiative. But, if the existing borrowers are going to be asked to comply with the terms of this new rule, then I need to express some issues that must be carefully thought out before any implementation plan or time period is decided upon. Please allow me to explain.

In my present position, I am the "head of" the IT consulting services practice for a firm that specializes in the electric distribution cooperative industry. Thus, I come in contact with a considerable number of co-ops and spend a considerable amount of time monitoring IT trends and opportunities within the electric co-op industry. Of the 17 IT consulting services that we offer, three of them deal with IT disaster recovery readiness/business continuity assessment, planning and implementation. These 3 services have been the most popular of the 17 IT consulting services that we offer. By the end of next month, I will have spoken at 8 state-wide conferences and TechAdvantage 2004 on the subject of IT disaster recovery readiness/business continuity planning within the past year. Between the speaking engagements and the business development work that I do on a fairly regular basis, I have become quite well acquainted with the current state of disaster recovery readiness/business continuity planning in the cooperative world. I would venture to say that no more than 5% (and this may be too high a percentage) of co-ops have formal, tested IT disaster recovery/business continuity plans in place. I am basing this on what I have been told by the co-ops, not on personal observation because they are not about to show me their plans in order to validate what they just said about having such a plan. Thus, the actual numbers could be considerably less.

Here is the “bottom line” of my concern regarding any roll-out of the new rules for the existing borrowers. Approximately, 60% of the 950 or so electric distribution co-ops in the US are RUS borrowers. That works out to about 570 co-ops. I think that we would all agree that the vast majority of these 570 would need some form of outside assistance with this type of endeavor. If this size group was suddenly forced to seek assistance with the assessment, planning and implementation - even if it was spread out over a 1-2 year period, the legitimate, qualified disaster recovery providers would be completely “over run”.

This would cause two significant things to happen. First, it would “drive up” the costs of these types of services (law of supply and demand) creating a potential financial hardship -- especially for the smaller co-ops. Second, and maybe even more significant, would be the propensity for lesser qualified, less legitimate service providers to enter this marketplace to capitalize on the provider shortage. Either out of necessity or ignorance or both, many co-ops would be forced to employ these questionable, less qualified service providers, which in turn, very well could result in substandard plans.

All I ask is that if you are going to include the existing RUS borrowers under this new ruling, you pay considerable attention to the concerns I have expressed with the intent of insuring that those potential negative outcomes do not occur.

Please feel free to contact me if you have any questions or would like to discuss further.

Regards,

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